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SUBJECT: TURKEY'S ECONOMY APRIL 14: POSITIVE PUBLIC
STATEMENTS BOOST MARKETS SLIGHTLY

1. (SBU) Positive statements by IMF and GOT officials over the weekend, combined with a lessening of anxiety over Iraq, gave Turkish markets a modest lift this morning. The lira strengthened to TL 1,633,000/dollar, yields on the benchmark 4/28/04 t-bill fell to 62.31 percent, and the stock market rose 3.71 percent in morning trading.

2. (SBU) Investors told us they were heartened by positive statements from the IMF and GOT officials, as well as by the relatively good news coming out of Iraq (eg. war winding down, relative calm in Northern Iraq). The local press quoted IMF European Director Michael Deppler as saying he thought the Turkish Government was now fully committed to the reform program and that the Letter of Intent the Board would consider this week would put Turkey back "on track." The press also reported Treasury Deputy U/S Ozyildiz's statement in Washington that the GOT would target a 7.7 percent primary surplus this year (including 1.2 percent from a partial spending freeze), as well as Central Bank Governor Serdengeçti's statement that Turkey could still hit its inflation target and produce 3.6 percent growth this year. (Note: Although 3.6 percent growth is lower than the official estimate, it is on the high side of the range many market analysts now say is likely. End note)

3. (SBU) Senior Turkish politicians also weighed in with a positive, if less credible, message. State Minister Babacan reportedly told the press that the government had minimized the impact of the Iraq war via sound economic measures, while Prime Minister Erdogan said Turkey would play a major role in Iraq's reconstruction. Tourism Minister Aksit declared that Turkey expected 15 million tourists to visit this year, yielding \$13 billion in revenue. Finance Minister Unakitan announced that many foreign investors were interested in buying state tobacco and spirits producer Tekel, and that Turkey's Competition Authority would not object to the sale.

4. (SBU) The other positive factor in the markets is the absence of a significant domestic debt redemption this week (only a TL 500 trillion redemption).

PEARSON